

Date of Hearing: April 16, 2012

ASSEMBLY COMMITTEE ON TRANSPORTATION

Bonnie Lowenthal, Chair

AB 1779 (Galgiani) - As Amended: April 9, 2012

SUBJECT : Intercity Passenger Rail Act for the San Joaquin Corridor

SUMMARY : Reauthorizes a locally-controlled joint powers authority (JPA), upon specified conditions and until December 31, 2013, to assume administrative responsibilities for the state-supported San Joaquin intercity rail passenger service (San Joaquin). Specifically, this bill :

- 1) Establishes the Intercity Passenger Rail Act of 2012 for the San Joaquin Corridor.
- 2) Makes findings and declarations relative to the state's intercity rail passenger system, including the state's interest in ensuring the protection of its \$1.8 billion investment in the system.
- 3) States the intentions of the Legislature that, among other items, authorizes the Secretary of the Business, Transportation and Housing Agency (Secretary) to allow the California Department of Transportation (Caltrans) to enter into an interagency transfer agreement with respect to the San Joaquin if a JPA and governing board are created and organized that result in administrative or operating cost reductions.
- 4) Requires the Secretary to establish through the budget process the level of state funding available for the operation of each corridor.
- 5) Requires, where the administration of the corridor service has been transferred to a local JPA, the Secretary to allocate funds to that entity for the operation of mutually agreed services, in accordance with the interagency transfer agreement; requires the transfer of funds to that entity for the administration and marketing of services.
- 6) Authorizes, but does not require, the JPA or the local or regional entities to augment state-provided resources to expand intercity passenger rail services or to address funding shortfalls in achieving agreed upon performance standards.
- 7) Prohibits the JPA or local or regional agencies from using existing sources of transit funding, as specified, to expand services or address funding shortfalls in achieving agreed upon performance standards.
- 8) Authorizes the JPA or local or regional agencies to identify and secure new supplemental sources of funding for purposes of expanding or maintaining intercity rail passenger service levels, that may include state and federal intercity rail resources.
- 9) Authorizes Caltrans to provide any support services upon mutual agreement with the JPA.
- 10) Requires operating costs to be controlled by various factors as identified, including costs attributed to Section 209 of the federal Passenger Rail Investment and Improvement Act (PRIIA).
- 11) Authorizes the Secretary to modify, not later than December 31, 2014, performance standards for the San Joaquin corridor.
- 12) Prohibits local resources to be used to offset any redirection, elimination, reduction, or reclassification of state resources for operating intercity rail services.

13)Allows Caltrans, upon authorization by the Secretary, through an interagency transfer agreement, to transfer to a JPA all responsibility for administering intercity passenger rail service in the corridor.

14)Mandates the Secretary to require the JPA to demonstrate the ability to meet the performance standards as established.

15)Authorizes Caltrans and any entity assuming the transfer of the San Joaquin to contract with Amtrak or any other rail operator to operate the services and authorizes these entities to contract with the railroad corporations and other rail operators for the use of tracks and other facilities; establishes that Caltrans is a third-party beneficiary of the operation contract; requires a private contractor to agree that its labor relations shall be subject to federal labor laws if selected as the operator of the rail passenger service.

16)Deletes and recasts provisions that establish the San Joaquin Corridor Joint Powers Authority (San Joaquin JPA). Allows for future appointments of additional members if the service boundaries of the San Joaquin corridor are expanded.

17)Redefines the San Joaquin corridor to extend the western terminus beyond Oakland to the San Francisco Bay Area.

18)Provides for the San Joaquin JPA to be created when the agencies electing to become members enter into a joint powers agreement, as specified; provides that only those agencies that appoint members by December 31, 2013, would be the representative agency members of the San Joaquin JPA.

19)Repeals and recasts the Steering Committee of the Caltrans Rail Task Force to advise the JPA.

EXISTING LAW :

1)Authorizes Caltrans, in cooperation with local transportation officials, to develop guidelines to implement the intercity rail program and defines the intercity rail corridors within which rail projects are eligible for funding. Requires Caltrans to develop a comprehensive statewide rail passenger and freight system plan.

2)Authorizes Caltrans to contract with Amtrak for intercity rail passenger services and provides funding for these services from the Public Transportation Account.

3)Authorized, until December 31, 1996, Caltrans, subject to approval of the Secretary, to enter into an interagency transfer agreement under which a JPA assumes responsibility for administering the state-funded intercity rail service in a particular corridor.

4)Establishes the terms of the interagency transfer agreements, when approved by the Secretary, to include various elements as specified.

5)Authorizes the establishment of the San Joaquin JPA upon agreement of the represented agencies for the purpose of assuming responsibility for intercity passenger rail services in the San Joaquin corridor. Specifies the membership of the agency, including members from the Capitol Corridor JPA and from the County of Los Angeles.

6)Establishes the San Joaquin Valley Rail Committee to be comprised of elected officials and members of the public representing 13 counties along the San Joaquin train route.

7)Authorizes the Steering Committee of the Caltrans Rail Task Force to confer with the Secretary to coordinate intercity passenger rail service for the San Joaquin corridor, including assisting in the development of an appropriate management structure for the San Joaquin corridor as an element of a coordinated statewide intercity rail system.

8) Requires intercity passenger rail services to attain specified farebox recovery ratios in order to be eligible for state operating funds. Specifically, an intercity rail service receiving specified state funding is eligible to continue to receive those funds only if it maintains a ratio of fare revenues to avoidable costs of at least 55%.

FISCAL EFFECT : Unknown

COMMENTS : Intercity passenger rail service is a component of the state's overall transportation system and operates between several regions of the state. Accordingly, intercity rail travel services are provided between metropolitan areas and to rural areas. For California, intercity rail passenger services include three state-supported corridor routes and four Amtrak long-distance routes. The three in-state intercity rail routes were funded, planned and administered by Caltrans until July, 1998, when the Capitol Corridor JPA assumed administration of the Capitol Corridor (Auburn-Sacramento-Oakland-San Jose). The other two intercity rail passenger services, the Pacific Surfliner (service between San Luis Obispo and San Diego through Santa Barbara and Los Angeles) and the San Joaquin (serving Central Valley, linking Los Angeles and Bakersfield with Sacramento and the Bay Area) continue to be administered by Caltrans.

In California, Amtrak operates all three state-supported intercity rail services, although for the Capitol Corridor, there is an agreement with the Capitol Corridor JPA that Amtrak continue to operate that intercity service. The state of California, through Caltrans, funds 70% of the operating deficit of the Pacific Surfliner with Amtrak funding the remaining 30% operating deficit (ridership farebox revenues minus operational costs). For the San Joaquin and the Capitol Corridor service, Caltrans funds 100% of the operating deficit. Amtrak pays 30% of the operating deficit for the San Diego service as it was a part of the basic national passenger train service. Lastly, California pays for the majority of capital improvements to these intercity rail services.

Purpose of the bill : This bill would reauthorize a locally-controlled JPA, until December 31, 2013, to assume administrative responsibilities for the state-supported San Joaquin. The author cites the 15-year period of successful operation of the Capitol Corridor JPA since the administration of the Capitol Corridor was transferred to that JPA from Caltrans. The author indicates the success was accomplished without the direct financial contribution by the member agencies of the Capitol Corridor JPA and cites that beyond the "more cost effective administration and operations, the Capitol Corridor JPA has shown that there are several other potential benefits to local authority administration of intercity passenger service including: the ability to have a stronger voice in advocating for service improvements and expansions; local decision-making that is more responsive and adaptive to passenger issues; the ability to take better advantage of joint marketing and partnerships with local agencies; and more engagement by local communities to support the service."

The author further indicates that the Central Valley Rail Working Group is working with other entities to explore the

development of a regional JPA that would enable regional governance of the San Joaquin, similar to the Capitol Corridor JPA. This legislation furthers that effort.

San Joaquin : The San Joaquin intercity rail and interlinking bus passenger service administered by Caltrans and operated by Amtrak as part of the Amtrak California network in California's Central Valley. It is Amtrak's fifth-busiest service in the nation. During the past year, 2011, the service carried over one million passengers, a 9.2% increase from the year before. Total revenue during 2011 was over \$35 million, nearly a 14% increase over the prior year. Twelve trains a day run between Bakersfield and Stockton, where the route splits to either Oakland (four trains each way a day) or Sacramento (two trains each way a day). At Bakersfield, bus service connects to Los Angeles Union Station and other areas in Southern California and the Central Coast and, significantly, the southern travel comprise about 30% of the overall San Joaquin riders. The state pays the net operating loss of the feeder buses that serve this route as well as the deficits from the train operations. Lastly, Caltrans owns all the San Joaquin trains while Amtrak maintains them at the Amtrak operated facility in Oakland.

The San Joaquin runs on the Burlington Northern Santa Fe (BNSF) freight railroad tracks from Bakersfield to Stockton. At Stockton, the route splits and runs on the Union Pacific (UP) railroad tracks to Oakland (39 miles) or Sacramento (49 miles). According to the Caltrans' California State Rail Plan, "75% of the 365 mile rail corridor from Bakersfield to Oakland and Sacramento is single track?Ultimately, the entire BNSF main line in the San Joaquin Valley may need to be double tracked, but that is a long term goal extending well beyond the next ten years."

The UP owns the single track freight line between Bakersfield and Los Angeles, passing through Mojave and Palmdale. According to UP, that freight line is one of the busiest in the western United States and is also used by BNSF freight trains operating on trackage rights. Further, UP contends that there is no excess capacity on this line and any addition of regularly scheduled passenger services would have a detrimental impact on their ability to provide competitive freight rail service.

Altamont Commuter Express : The Altamont Commuter Express (ACE) was established to serve San Joaquin County residents traveling to work at firms in Santa Clara County. Four trains per day leave Stockton each morning and return from San Jose after noon. The operation is funded primarily by local sales taxes, with additional support from state and federal sources.

ACE is owned and operated by the San Joaquin Regional Rail Commission Joint Powers Authority (San Joaquin Rail Commission) formed in 1997 by Alameda, San Joaquin, and Santa Clara counties. It is represented by members of these counties as well as one Bay Area Rapid Transit District (BART) representative and representatives of five cities. Cost sharing for capital projects, excluding stations, during the initial 36 months of service was determined by the San Joaquin Rail Commission on a case by case basis and approved by each of the member agencies. The initial purchase of rolling stock, construction of stations, and other start-up costs, amounting to

some \$48 million, were covered primarily by the revenues from the separate county special transportation sales taxes. Currently, station improvements are the responsibility of the county in which the station is located. Further, ACE pays UP, the owner of the right of way, about \$1.5 million per year for the rights to run passenger service on the tracks; it also uses about four miles of Caltrain track in San Jose. Farebox revenues generate approximately 30% of the operating and administrative costs. Most of the annual operating cost deficits are underwritten by the three counties in proportion to the boardings and alightings in each county and, as mentioned earlier, generally are paid from each counties' local transportation sales tax. Further, each county absorbs its own administrative costs, estimated at \$2.4 million annually.

According to the California High-Speed Rail Authority (Authority), plans are being generated to upgrade the current ACE system to provide faster, more regular service, and to rename the route the Altamont Corridor Express. The plan includes electrification of the route along with possible extension to the City of Modesto.

San Joaquin interface with the California High-Speed Rail System

According to the Authority's revised Business Plan, Caltrans is working with the San Joaquin Rail Commission (the owner/operator of the ACE) and others to identify early investments for connecting regional rail service to the first segment of the Authority's initial operating segment (IOS) using the San Joaquin intercity rail passenger service and the ACE interregional commuter service. The Authority indicates that the San Joaquin Rail Commission, Caltrans, the Capitol Corridor JPA, and Sacramento Regional Transit District have developed a Northern California Unified Service (Unified Service) concept. The Unified Service would use the first IOS segment in the interim period until the initiation of full high-speed service. Once high-speed rail becomes operational, according to the Authority, the improved network becomes a critical feeder service to the high-speed rail system. The Unified Services group is finalizing a memorandum of understanding (MOU), to which the Authority would be a party, that includes a list of early investments such as grade-crossing improvements, grade separations, double-tracking, curve realignments, and positive train control that will improve existing rail operating speeds and safety and allow for substantial increases in frequency by the 2018 operations on the first IOS section.

Section 209, PRIIA : Section 209, of PRIIA, requires states to pay 100% of the costs of short-distance intercity Amtrak services and capital costs. Currently, Caltrans pays 70% of the operating costs of the Pacific Surfliner intercity rail passenger services and Amtrak pays the remaining 30%. For the San Joaquin and Capitol Corridor intercity train services, Caltrans pays 100% of the operating deficit and therefore the impact of Section 209 implementation in 2013-14 will have a negligible cost impact upon the state for these two services.

State's remaining role in intercity rail passenger services : This bill requires, upon implementation of the interagency transfer agreement, Caltrans to continue coordinating San Joaquin intercity rail service with other intercity passenger

services in the state. With the possible transfer of state administration of all three state-supported intercity rail passenger services - the San Joaquin, Capitol Corridor, and the Pacific Surfliner - to locally-approved JPAs, what will be the state's residual role in overseeing the operations and interconnectivity of these separate services?

Arguments in support :

1)Writing in support of this bill, numerous cities and regional entities within the San Joaquin Valley contend that with a more efficient administration and stronger local/regional support, a regionally managed San Joaquin service can result in much higher frequencies of service and increases in ridership and revenue - similar to the Capitol Corridor JPA. They cite that the increases in service and ridership will result in more jobs, improve air quality, and help promote sustainable development.

2)Upon implementation of the agreement between ACE and the current San Joaquin operations, the Unified Service will facilitate the effective integration of the these services with the early implementation of the Authority's initial high-speed rail construction segment, scheduled for construction in 2018. Further, upon completion of the rail linkage between Bakersfield and the San Fernando Valley, higher speed service for the California's intercity rail spine will be seamless and operational.

3)As the Secretary has presumptive approval authority to effectuate the state's transfer of responsibilities and assets to the local JPA, it will do so only upon the determination that such a transfer will result in administrative or operating cost reductions.

4)The terms of the interagency transfer agreement, as specified under existing law, serve to protect the interests of the joint powers authority as well as the state. Further, as an element of the interagency transfer agreement, the requirement for the JPA business plan will provide a roadmap on how the entity will proceed and provide some level of confidence to state decisionmakers.

5)The bill requires the Steering Committee of the Caltrans Rail Task Force to advise the JPA. As Caltrans has improved the services to high ridership levels, its expertise in continuing successful operations of this corridor could prove invaluable.

6)According to the sponsors, the formation of a JPA could "provide stronger negotiating strength with the freight railroads for new passenger services or dealing with freight conflicts."

7)SB 1225 (Padilla), currently being considered in the Senate, makes significant changes to the elements of the interagency transfer agreement and, accordingly, both bills will need to be harmonized in the near term.

Arguments in Opposition :

1)The bill may be premature, especially as California is undertaking a major high-speed rail planning and

implementation project. A large component of this effort focuses on "blending" high-speed rail services and conventional commuter and intercity passenger rail services in the San Joaquin corridor. Considering the technical, operational, and policy issues that need to be resolved by the Authority, Caltrans, and other agencies, at this point in time, a change in administration of the San Joaquin may be problematic.

2) Rail service in this corridor is not a regional function. The San Joaquin corridor acts as the "spine" of intercity passenger rail in the state, connecting with other rail and public transportation services in northern and southern California. Coordination with the state-administered Surfliner Corridor would be more difficult, particularly with the extensive bus-train linkages between the two corridors.

3) Any additional capacity of the railroads operating within the San Joaquin corridor may not materialize, making it difficult to achieve additional rail passenger services.

4) The bill requires that the current level of rail service be maintained. However, if funding shortfalls should come about because of revenue declines, the bill does not specify sources of additional funding. Further, as the bill currently prohibits some sources of local funding to be used for corridor operational funding deficits, one can question how necessary funding will materialize.

Suggested amendments :

1) Eliminates any ambiguity as to the responsibility of the Secretary in terms of approving the interagency transfer agreement. This change will make the provision operative rather than tentative.

On page 3, move lines 20-26 inclusive, to line 39 and replace (2) with (c). 2) Removes restrictions that could inhibit counties from securing available sources of funding that may be necessary to cover operating deficits.

On page 4, delete lines 16-25 inclusive and on line 26, delete the following: 99313 and 99314 of the Public Utilities Code.

Related Bills : SB 457 (Kelley), Chapter 263, Statutes of 1996, authorized, until December 31, 1996, the transfer of responsibility for the Capitol Corridor, Pacific Surfliner, and the San Joaquin intercity rail service to three specified joint powers agencies within those corridors. The transfer of service is to be accomplished through joint agency agreements between Caltrans and the agencies, approved by the Secretary. The JPA for the Capitol Corridor was the only entity formed by the deadline.

SB 1118 (Monteith), Chapter 202, Statutes of 1997, authorizes the establishment of the San Joaquin Corridor JPA. Also, provides direction to the Steering Committee of the Caltrans Rail Task Force to coordinate intercity passenger rail service for the San Joaquin corridor.

SB 1225 (Padilla), of 2012, similar to this bill, would authorize, until December 31, 2013, Caltrans to transfer the administration of the Pacific Surfliner intercity rail corridor to a joint powers board established for that purpose. The bill is to be heard in the Senate Transportation and Housing Committee tomorrow.

Double referral : This bill has also been referred to the Assembly Local Government Committee.

REGISTERED SUPPORT / OPPOSITION :

Support

Central Valley Rail Working Group (co-sponsor)
San Joaquin Valley Regional Policy Council (co-sponsor)
California Partnership for the San Joaquin Valley
City of Fresno
City of Lodi
City of Merced
City of Modesto
County of Fresno
Madera County Transportation Commission
Merced County Association of Governments
Sacramento Councilmember Steve Cohn
Sacramento Regional Transit District
San Joaquin Regional Rail Commission
San Joaquin Regional Transit District
San Joaquin Valley Air Pollution Control District

Opposition

None on file

Analysis Prepared by:Ed Imai / TRANS. / (916) 319-2093